



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
SHELBY COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE SHELBY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Shelby County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances decreased by \$2,615,455 from the prior fiscal year, resulting in a cash surplus of \$9,703,315 as of June 30, 2000. Operating revenues increased by \$1,083,033 from the prior year and disbursements increased by \$4,575,208.

Debt Obligations:

Shelby County Fiscal Court (County) issued general obligation bonds of 5,200,000, series 1999, dated April 1, 1999, to fund the acquisition and construction of the Clear Creek Family Activities Center. These bonds were issued at varying interest rates ranging from 3.40% to 4.85%, and will be retired by August 1, 2020. Interest payments are due on February 1 and interest and principal August 1. Fiscal Court has entered into a lease agreement with the City of Shelbyville (City) and the Shelbyville/Shelby County Parks and Recreation Commissions (Parks Commission) for their portion of the bond issue. The City is responsible for \$500,000 in principal and interest payments, the Parks Commission \$2,200,000 in principal and interest payments and the County 2,500,000 in principal and interest. The City and the Parks Commission make their payments to the County, which in turn pays the paying agent.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Bobby Stratton, Shelby County Judge/Executive

Members of the Shelby County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Shelby County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Shelby County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Shelby County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided for in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Shelby County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 2000, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Bobby Stratton, Shelby County Judge/Executive
Members of the Shelby County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Shelby County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2000 on our consideration of Shelby County, Kentucky's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grants.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 15, 2000

SHELBY COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Bobby Stratton	County Judge/Executive
Robert Samples	Magistrate
Bob Walters	Magistrate
Hobbie Henninger	Magistrate
Betty Curtsinger	Magistrate
Tony Carriss	Magistrate
Mike Whitehouse	Magistrate
Cordy Armstrong	Magistrate

Other Elected Officials:

Chick Hickman	County Attorney
Bobby Waits	Jailer
Sue Carole Perry	County Clerk
Kathy Nichols	Circuit Court Clerk
Harold E. Tingle	Sheriff
Brad McDowell	Property Valuation Administrator
Tommy Sampson	Coroner

Appointed Personnel:

Paula Webb	County Treasurer
James Ray Wiley	Occupational Tax Collector
Susan Price	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

SHELBY COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:		
Cash	\$ 7,318,813	
Road and Bridge Fund:		
Cash	1,530,516	
Jail Fund:		
Cash	38,719	
Local Government Economic Assistance Fund:		
Cash	323,480	
Emergency Medical Services Fund:		
Cash	92,602	
Revolving Fund:		
Cash	84,003	
Community Development Block Grant Fund:		
Cash	114,550	
Notes Receivable (Note 4B)	26,637	
Occupational License Fee Fund:		
Cash	3,794	
Operating Account - Cash	1,686	
Payroll Revolving Account - Cash	2,517	
City Tax Account - Cash	<u>2,858</u>	\$ 9,540,175

Capital Projects Fund Type

Clear Creek Fund:		
Cash	\$ 128,446	
Investments	<u>63,728</u>	192,174

Debt Service Fund Type

Special Fund:		
Cash		4,665

The accompanying notes are an integral part of the financial statements.

SHELBY COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Total Assets and Other Resources (Continued)

Other Resources

Capital Projects Fund Type

Clear Creek Fund:

Amounts to be Provided in Future Years for General Obligation - Bond Principal Payments (Note 5)	\$ 5,165,000
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Debt Service Fund Type

Special Fund:

Amounts to be Provided in Future Years for Capital Lease Payments (Note 4C)	<u>706,000</u>
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Total Assets and Other Resources	<u><u>\$ 15,608,014</u></u>
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Liabilities and Fund Balances

Liabilities

General Fund Types

Community Development Block Grant Fund:

Deferred Revenue (Note 4B)	\$ 26,637	
Operating Account	1,686	
Payroll Revolving Account	2,517	
City Tax Account	<u>2,858</u>	\$ 33,698

Capital Projects Fund Types

Clear Creek Fund:

Capital Lease Obligation - Bond Principal Payments (Note 5)	5,165,000
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Debt Service Fund Types

Special Fund:

Capital Lease Obligations (Note 4C)	706,000
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The accompanying notes are an integral part of the financial statements.

SHELBY COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances

Reserved:

General Fund Type

Revolving Fund	\$ 84,003	
Community Development Block Grant Fund	<u>114,550</u>	\$ 198,553

Debt Service Fund Type

Special Fund		4,665
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Capital Projects Fund Type

Clear Creek Fund		192,174
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Unreserved:

General Fund Type

General Fund	\$ 7,318,813	
Road and Bridge Fund	1,530,516	
Jail Fund	38,719	
Local Government Economic Assistance Fund	323,480	
Emergency Medical Services Fund	92,602	
Occupational License Fee Fund	<u>3,794</u>	<u>9,307,924</u>

Total Liabilities and Fund Balances		<u>\$ 15,608,014</u>
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

SHELBY COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 9,980,389	\$ 4,288,659	\$ 1,312,540	\$ 836,863
Transfers In	3,524,918	1,745,000	615,000	395,000
Kentucky Advance Revenue Program	1,024,290	1,024,290		
Total Cash Receipts	<u>\$ 14,529,597</u>	<u>\$ 7,057,949</u>	<u>\$ 1,927,540</u>	<u>\$ 1,231,863</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 12,415,375	\$ 3,562,006	\$ 1,795,936	\$ 1,272,515
Transfers Out	3,524,918	1,164,918		
City of Simpsonville	116,428			
Bank Charges	41			
General Obligation Bonds:				
Principal Paid	35,000			
Capital Lease - Principal Paid	29,000			
Kentucky Advance Revenue Program Repaid	1,024,290	1,024,290		
Total Cash Disbursements	<u>\$ 17,145,052</u>	<u>\$ 5,751,214</u>	<u>\$ 1,795,936</u>	<u>\$ 1,272,515</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (2,615,455)	\$ 1,306,735	\$ 131,604	\$ (40,652)
Cash Balance - July 1, 1999 *	<u>12,318,770</u>	<u>6,012,078</u>	<u>1,398,911</u>	<u>79,371</u>
Cash Balance - June 30, 2000 *	<u>\$ 9,703,315</u>	<u>\$ 7,318,813</u>	<u>\$ 1,530,515</u>	<u>\$ 38,719</u>

*Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

SHELBY COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 2000
(Continued)

General Fund Types				
Local Government Economic Assistance Fund	Emergency Medical Services Fund	Revolving Fund	Community Development Block Fund	Occupational License Fee Fund
\$ 35,941	\$ 755,121 627,000	\$ 13,892	\$ 77,603	\$ 2,449,724
\$ 35,941	\$ 1,382,121	\$ 13,892	\$ 77,603	\$ 2,449,724
\$ 5,036	\$ 1,322,084	\$ 4,279	\$ 63,000	\$ 2,360,000 116,428 41
\$ 5,036	\$ 1,322,084	\$ 4,279	\$ 63,000	\$ 2,476,469
\$ 30,905 292,575	\$ 60,037 32,565	\$ 9,613 74,390	\$ 14,603 99,947	\$ (26,745) 30,539
\$ 323,480	\$ 92,602	\$ 84,003	\$ 114,550	\$ 3,794

The accompanying notes are an integral part of the financial statements.

The accompanying notes are an integral part of the financial statements.

SHELBY COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Shelby County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional – Shelby County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Shelby County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are subjected by oversight of state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. A list of Shelby County Fiscal Court's Fund Types, a definition of each, and a list of county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Shelby County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), Emergency Medical Services Fund, Revolving Fund, Community Development Block Grant Fund, and the Occupational License Fee Fund.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of capital lease principal and interest and include funds for the Special Fund. Debt service is provided through receipts of the Special Fund (See Note 4C).

3) Capital Projects Fund Type

Capital Project Funds Type accounts for financial resources to be used for acquisition of major capital facilities. The Clear Creek Fund is reported as a Capital Projects Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided for in future years.

D. Legal Compliance - Budget

The Shelby County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 3. Deposits and Investments (Continued)

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

Types of Investments	<u>Category</u> <u>1</u>	<u>Category</u> <u>2</u>	<u>Category</u> <u>3</u>	<u>Carrying</u> <u>Amount</u>	<u>Market</u> <u>Value</u>
U.S. Treasury Bills	\$ 63,727	\$ 0	\$ 0	\$ 63,727	\$ 64,995

Note 4. Note Receivables, Leases, and Liabilities

A. General Fund - Notes Receivable

On August 13, 1985, the Shelby County Fiscal Court loaned the Shelby County Sanitation District #1 \$65,000 for the purpose of securing easements for a sanitary sewer system project. Interest is payable at an annual rate of 7.5 percent, and the loan is to be repaid when funds become available. On March 7, 2000, the Fiscal Court enacted an ordinance authorizing the merger of the Sanitation District #1 with the Shelbyville Municipal Water and Sewer Commission. On June 29, 2000, the Shelby County Treasurer received \$32,947 from the Shelbyville Municipal Water and Sewer Commission to payoff the debt owed to Fiscal Court by the Sanitation District. The balance remaining on the note to Fiscal Court was \$46,879, with \$13,842 forgiven on the note.

B. Community Development Block Grant Fund - Note Receivable

During project year 1991, CDBG No. B-91-DC-21-0001-(047) for \$132,000 was awarded to Shelby County and Logan's Uniform Division for a relocation and expansion project. The Corporation is obligated to repay the Shelby County CDBG Fund \$120,000 at a 3 percent interest rate over 10 years. The payments, including interest, are \$1,159 per month, and on June 30, 2000, the amount due was \$26,637.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 4. Note Receivables, Leases, and Liabilities (Continued)

C. Special Fund - Notes Receivable and Liability

1) Simpsonville Sewer Plant

On September 1, 1992, Shelby County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$560,000. This money was then subleased to the city of Simpsonville for the purpose of making improvements to the Simpsonville Sewer Plant. During the fiscal year, the county received \$16,000 principal and \$24,249 interest from the city of Simpsonville. The county then paid this money to Bank One (the trustee). The balance of the receivable and the liability on June 30, 2000, was \$452,000.

2) US 60 Water District (Woodlawn)

On November 1, 1993, Shelby County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$237,000. The purpose of the lease was for waterline extension. The project was subleased to the US 60 Water District. During the fiscal year, the county received \$10,000 principal and \$8,459 interest from the US 60 Water District. The county then paid this money to Bank One (the trustee). The balance of the receivable and the liability on June 30, 2000, was \$182,000.

3) US 60 Water District (Rockbridge)

On August 7, 1996, Shelby County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$80,000. The purpose of the lease was for construction of rural water lines. The project was subleased to the US 60 Water District. During the fiscal year, the county received \$3,000 principal and \$4,074 interest from the US 60 Water District. The county then paid this money to Bank One (the trustee). The balance of the receivable and the liability on June 30, 2000, was \$72,000.

Total Special Fund Leases and Liabilities were \$706,000 as of June 30, 2000.

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SHELBY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 5. General Obligation Bonds – Clear Creek Fund

Shelby County Fiscal Court (County) issued general obligation bonds of 5,200,000, series 1999, dated April 1, 1999, to fund the acquisition and construction of the Clear Creek Family Activities Center. These bonds were issued at varying interest rates ranging from 3.40% to 4.85%, and will be retired by August 1, 2020. Interest payments are due on February 1 and interest and principal August 1. Fiscal Court has entered into a lease agreement with the City of Shelbyville (City) and the Shelbyville/Shelby County Parks and Recreation Commissions (Parks Commission) for their portion of the bond issue. The City is responsible for \$500,000 in principal and interest payments, the Parks Commission \$2,200,000 in principal and interest payments and the County 2,500,000 in principal and interest. The City and the Parks Commission make their payments to the County, which in turn pays the paying agent. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Fiscal Year Ended</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
June 30, 2001	\$ 100,000	\$ 226,410
June 30, 2002	130,000	222,320
June 30, 2003	140,000	217,390
June 30, 2004	195,000	211,095
June 30, 2005	200,000	203,490
Thereafter	<u>4,400,000</u>	<u>1,739,878</u>
Totals	<u>\$ 5,165,000</u>	<u>\$ 2,820,583</u>

Note 6. Insurance

For the fiscal year ended June 30, 2000, Shelby County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 7. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1)(2), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 68.210 requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletins 93-002 and 97-001 provide additional accounting and expenditure guidance for acceptable jail canteen operations.

The Shelby County Jail Canteen Fund had receipts of \$143,293, less disbursements of \$133,143, leaving a net increase of \$10,150 as of June 30, 2000. All profit expenditures were for the benefit and/or recreation of the inmates.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

SHELBY COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ (1,806,592)	\$ 4,288,659	\$ 6,095,251
Road and Bridge Fund	551,219	1,312,540	761,321
Jail Fund	1,235,882	836,863	(399,019)
Local Government Economic Assistance Fund	(262,319)	35,941	298,260
Emergency Medical Services Fund	1,315,713	755,121	(560,592)
Revolving Fund	(61,555)	13,892	75,447
Community Development Block Grant Fund	(23,561)	77,603	101,164
<u>Capital Projects Fund Type</u>			
Clear Creek Fund	194,759	144,139	(50,620)
<u>Debt Service Fund Type</u>			
Special Fund	<u>68,436</u>	<u>65,907</u>	<u>(2,529)</u>
Totals	<u>\$ 1,211,982</u>	<u>\$ 7,530,665</u>	<u>\$ 6,318,683</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 1,211,982
Add: Budgeted Prior Year Surplus			12,288,231
Less: Other Financing Uses			<u>(226,960)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 13,273,253</u>

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SCHEDULE OF OPERATING REVENUE

SHELBY COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>GOVERNMENTAL FUND TYPES</u>				
	Totals (Memorandum Only)	General Fund Type	Capital Projects Fund Type	Debt Service Fund Type
REVENUE:				
Taxes	\$ 4,615,750	\$ 4,615,750	\$	\$
Excess Fees	474,811	474,811		
License and Permits	95,926	95,926		
Intergovernmental Revenues	2,311,137	2,245,345		65,792
Charges for Services	780,824	780,824		
Miscellaneous Revenues	1,210,368	1,158,725	51,643	
Interest Earned	491,573	398,962	92,496	115
Total Operating Revenue	<u>\$ 9,980,389</u>	<u>\$ 9,770,343</u>	<u>\$ 144,139</u>	<u>\$ 65,907</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

SHELBY COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 2,064,741	\$ 1,877,360	\$ 187,381
Protection to Persons and Property	2,522,250	2,463,300	58,950
General Health and Sanitation	310,644	204,724	105,920
Social Services	201,146	180,988	20,158
Recreation and Culture	327,857	292,097	35,760
Roads	1,503,288	1,424,159	79,129
Capital Projects	360,155	273,362	86,793
Administration	<u>1,485,583</u>	<u>1,308,866</u>	<u>176,717</u>
Total Operating Budget - All General Fund Types	\$ 8,775,664	\$ 8,024,856	\$ 750,808
Other Financing Uses:			
Transfers to Clear Creek Fund	<u>162,960</u>	<u>142,918</u>	<u>20,042</u>
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 8,938,624</u>	<u>\$ 8,167,774</u>	<u>\$ 770,850</u>

SHELBY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2000
 (Continued)

CAPITAL PROJECTS FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Debt Service	\$ 190,530	\$ 190,530	\$
Capital Projects	4,263,083	4,163,207	99,876
Administration			
Total Operating Budget - All Capital Projects Fund Types	\$ 4,453,613	\$ 4,353,737	\$ 99,876
Other Financing Uses:			
General Obligation Bonds-			
Principal	35,000	35,000	
TOTAL BUDGET - CAPITAL PROJECTS FUND TYPE	\$ 4,488,613	\$ 4,388,737	\$ 99,876
DEBT SERVICE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Debt Service	\$ 43,976	\$ 36,782	\$ 7,194
Total Operating Budget - All Debt Service Fund Types	\$ 43,976	\$ 36,782	\$ 7,194
Other Financing Uses:			
KACO Leasing Trust Equipment Lease-			
Principal	29,000	29,000	
TOTAL BUDGET - DEBT SERVICE FUND TYPE	\$ 72,976	\$ 65,782	\$ 7,194

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Bobby Stratton, Shelby County Judge/Executive
Members of the Shelby County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Shelby County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated November 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Shelby County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shelby County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Bobby Stratton, Shelby County Judge/Executive
Members of the Shelby County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 15, 2000

CERTIFICATION OF COMPLIANCE –
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

SHELBY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
SHELBY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Shelby County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer